



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

April 28, 2004

### **H.R. 3550** **Transportation Equity Act: A Legacy for Users**

*As passed by the House on April 2, 2004*

#### **SUMMARY**

CBO estimates that implementing H.R. 3550 would cost \$164.5 billion over the 2004-2009 period, assuming appropriation action consistent with the act. In addition, CBO and the Joint Committee on Taxation (JCT) estimate that enacting H.R. 3550 would increase direct spending by \$1.2 billion and increase revenues by \$5.9 billion over the 2004-2014 period. (Over the 2004-2009 period, new direct spending would total \$688 million and revenues would decrease by about \$5 billion.) Most of the new direct spending would stem from providing payments in lieu of certain tax credits and increasing funding for the Emergency Relief program.

H.R. 3550 would extend the authority for the surface transportation programs administered by the Federal Highway Administration (FHWA), the National Highway Traffic Safety Administration (NHTSA), the Federal Motor Carrier Safety Administration (FMCSA), and the Federal Transit Administration (FTA). For those programs, CBO estimates that the act would provide about \$273 billion in contract authority (the authority to incur obligations in advance of appropriations) over the 2004-2009 period. H.R. 3550 also would authorize the appropriation of \$8.9 billion for transit programs over the same period.

Consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes that the contract authority for the surface transportation programs would continue at the same rate provided immediately before the authority for the programs would expire in 2010. Hence, this estimate includes an additional \$6.6 billion in contract authority in each year over the 2010-2014 period.

The amounts of new spending on the highway, safety, and transit programs under the act would add to outlays expected from funding previously provided. In total, CBO estimates that discretionary outlays would sum to about \$267 billion over the 2004-2009 period for the affected transportation programs. As a result, such discretionary spending for those

programs would average about \$44.5 billion a year over the 2004-2009 period. (By comparison, outlays for those programs totaled \$38.3 billion in 2003.)

H.R. 3550 would authorize the appropriation of \$800 million for rail transportation programs over the 2005-2012 period and \$88 million over the 2005-2007 period to improve the transportation of hazardous materials. The act also would authorize appropriations for the Emergency Relief program and for grants to the Alaska Railroad, authorize the Secretary of Transportation to provide grants for the Deployment of Intelligent Transportation Systems (ITS), require the Department of Transportation (DOT) to have a new Deputy Assistant Secretary, direct the Secretary of Transportation to provide grants to the Work Zone Safety Information Clearinghouse, and require the government to complete several studies and regulations on transportation issues and other matters.

CBO has reviewed all of the nontax provisions of H.R. 3550 for intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill contains such a mandate, but we estimate that it would impose no costs on state, local, or tribal governments and thus would not exceed the threshold established by that act (\$60 million in 2004, adjusted annually for inflation). As a whole, state and local governments would benefit from the financial assistance included in the bill and would comply with any related requirements as a condition of receiving federal aid.

H.R. 3550 contains several private-sector mandates as defined in UMRA. CBO expects that the total cost of private-sector mandates in the bill would exceed the annual threshold established in UMRA (\$120 million 2004, adjusted annually for inflation).

## **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 3550 is summarized in Table 1. The costs of this legislation fall primarily within budget function 400 (transportation).

**TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 3350**

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Estimated Authorization Level	0	2,424	1,939	2,049	2,124	2,252
Estimated Outlays	68	11,014	28,648	37,191	41,867	45,704
<b>CHANGES IN DIRECT SPENDING</b>						
Estimated Budget Authority	-1,439	1,734	2,763	4,024	5,532	6,760
Estimated Outlays	14	104	129	142	145	153
<b>CHANGES IN REVENUES</b>						
Estimated Revenues	108	861	-3,375	-6,405	-190	3,996

## **BASIS OF ESTIMATE**

For this estimate, CBO assumes that H.R. 3550 will be enacted in the spring of 2004. Although current authority for most surface transportation programs expires after April 30, 2004, consistent with the Balanced Budget and Emergency Deficit Control Act, CBO assumes funding for those programs will continue beyond their expiration. We also assume appropriation action consistent with the authorization levels and obligation limitations in the act. Estimates of outlays are based on historical spending patterns for each program. CBO estimates that implementing H.R. 3550 would cost \$164.5 billion over the 2004-2009 period. In addition, JCT and CBO estimate that enacting H.R. 3550 would increase direct spending by \$1.2 billion and increase revenues by \$5.9 billion over the 2004-2014 period.

## **Spending Subject to Appropriation**

Assuming appropriation action consistent with the authorization levels and obligation limitations specified in the act and assuming the appropriation of amounts necessary to cover the background checks, studies, and regulations the act would require, CBO estimates that implementing H.R. 3550 would cost \$164.5 billion over the 2004-2009 period (as detailed in Table 2). CBO estimates that the act would authorize the appropriation of \$8.9 billion, and we assume the enactment of obligation limitations (for use of contract authority) would total \$264.6 billion over that period. Thus, discretionary funding resources would total \$273.5 billion over the six years.

**TABLE 2. ESTIMATED CHANGES IN SPENDING SUBJECT TO APPROPRIATION FOR H.R. 3550**

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION</b>						
Federal-Aid Highway Program						
Authorization Level <sup>a</sup>	0	0	0	0	0	0
Estimated Outlays	58	9,148	23,710	30,522	33,665	36,083
Emergency Relief Program						
Estimated Authorization Level	0	600	0	0	0	0
Estimated Outlays	0	162	252	102	36	24
Highway Traffic and Motor Carrier Safety Programs						
Authorization Level <sup>a</sup>	0	0	0	0	0	0
Estimated Outlays	10	444	943	1,004	1,083	1,108
Transit Programs						
Authorization Level <sup>a</sup>	0	1,554	1,671	1,785	1,890	2,017
Estimated Outlays	0	1,163	3,565	5,352	6,871	8,258
Hazmat Safety Program						
Authorization Level	0	28	30	30	0	0
Estimated Outlays	0	22	30	30	6	0
High-Speed Rail Transportation						
Authorization Level <sup>a</sup>	0	100	100	100	100	100
Estimated Outlays	0	20	40	60	80	100
ITS Deployment						
Estimated Authorization Level	0	100	100	100	100	100
Estimated Outlays	0	27	69	86	92	96
Alaska Railroad						
Estimated Authorization Level <sup>a</sup>	0	30	30	30	30	30
Estimated Outlays	0	18	30	30	30	30
New Deputy Assistant Secretary						
Estimated Authorization Level	0	3	3	3	3	3
Estimated Outlays	0	3	3	3	3	3
Work Zone Clearinghouse						
Estimated Authorization Level	0	1	1	1	1	1
Estimated Outlays	0	1	1	1	1	1
Studies and Regulations						
Estimated Authorization Level	0	9	4	0	0	1
Estimated Outlays	0	6	5	1	0	1

Continued

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**TABLE 2. Continued**

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	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
<b>CHANGES IN SPENDING SUBJECT TO APPROPRIATION (Continued)</b>						
Total Changes						
Estimated Authorization Level	0	2,424	1,939	2,049	2,124	2,252
Estimated Outlays	68	11,014	28,648	37,191	41,867	45,704

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- a. Under current law, most budget authority for the Federal-Aid Highway program, highway traffic and motor carrier safety programs, and transit programs is provided as contract authority, a mandatory form of budget authority. Outlays from those programs, however, are subject to obligation limitations contained in appropriation acts and are therefore discretionary. H.R. 3550 would provide contract authority for each of those programs and also would authorize the appropriation of discretionary funds for those programs as well. For this estimate, CBO assumes that obligation limitations will continue to control most spending from those programs.
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**Federal-Aid Highway Program.** H.R. 3550 would provide \$225.5 billion of contract authority for the Federal-Aid Highway program over the 2004-2009 period. Under current law, most spending from contract authority provided for the Federal-Aid Highway program is considered discretionary because it is controlled by annual limitations on obligations set in appropriation acts. For this estimate, CBO assumes appropriation action will continue to limit most spending from the program. Assuming appropriation action consistent with the authorization levels and the obligation limitations specified in the act, CBO estimates that implementing those provisions would cost \$133 billion over the 2004-2009 period. Discretionary outlays for the Federal-Aid Highway program totaled \$30.2 billion in 2003 and averaged about \$25.9 billion over the 1998-2003 period (the time frame covered by the last major highway authorization act). Under H.R. 3550, CBO estimates that discretionary spending for highways would average about \$34 billion a year over the 2004-2009 period (including outlays from funding previously provided).

H.R. 3550 includes provisions known as Revenue-Aligned Budget Authority, or RABA, that would make annual adjustments to the obligation limitations and the level of contract authority specified in the act, based on receipts to the highway account of the Highway Trust Fund. H.R. 3550 includes estimates of receipts to the highway account, and each adjustment under the act's RABA provisions would be determined by comparing the estimates in the legislation to the Administration's most recent estimates when the adjustment occurs. If the act's estimates of revenues are lower than the current estimates, there would be an automatic increase in the obligation limitations authorized by the act. If, however, the act's estimates

of revenues are greater than the current estimates, then there would be an automatic decrease to the obligation limitations authorized by the act. For example, RABA adjustments for 1999 through 2002 increased spending authority for highways by \$9.2 billion. However, a RABA adjustment that called for a \$4.4 billion decrease in the 2003 obligation limitation was not allowed to occur. Instead, the Congress held funding near the level in the previous year.

Based on CBO's and JCT's estimates of receipts to the highway account under H.R. 3550, and assuming appropriation action consistent with the adjustments required by those provisions, CBO does not estimate any effect from the RABA provisions at this time. Some RABA adjustments under H.R. 3550, however, are likely to occur, and such adjustments could significantly increase or decrease spending in any given year, depending on fluctuations in highway tax receipts and depending on whether the Congress allows any such adjustments to stand.

**Emergency Relief Program.** Under current law, FHWA receives \$100 million in contract authority each year to provide grants under the Emergency Relief program. States use these grants to repair roads damaged by disasters. In addition to this contract authority, H.R. 3550 would authorize the appropriation of additional sums necessary to cover the cost of all other repairs eligible for funding under the program. Based on information from DOT, CBO estimates implementing that provision would cost \$576 million over the 2004-2009 period.

**Highway Traffic and Motor Carrier Safety Programs.** H.R. 3550 would provide about \$6 billion in contract authority for highway traffic and motor carrier safety programs over the 2004-2009 period. Under current law, spending from contract authority provided for highway traffic and motor carrier safety programs is considered discretionary because it is controlled by annual limitations on obligations set in appropriation acts. For this estimate, CBO assumes appropriation action will continue to limit spending on those programs. We estimate that implementing those provisions of the act would cost \$4.6 billion over the 2004-2009 period. Outlays for those programs totaled \$527 million in 2003.

**Transit Programs.** H.R. 3550 would provide \$41.2 billion in contract authority and authorize the appropriation of another \$10.4 billion in discretionary budget authority over the 2004-2009 period for transit programs. The 2004 transportation appropriations act provided the \$1.5 billion of discretionary budget authority that H.R. 3550 would authorize for the current year. As a result, H.R. 3550 would authorize the appropriation of \$8.9 billion in additional budget authority for transit programs over the 2004-2009 period.

Under current law, all spending on transit programs is considered discretionary because it is controlled by annual limitations on obligations set in appropriation acts. Assuming that

appropriation action will continue to limit spending on those programs, we estimate that implementing those provisions would cost \$25.2 billion over the 2004-2009 period. When combined with outlays from previously approved funding, transit outlays would average about \$9.4 billion a year over the 2004-2009 period. By comparison, transit outlays totaled \$7.6 billion in 2003.

**Rail Transportation Programs.** H.R. 3550 would authorize the appropriation of \$800 million over the 2005-2012 period for high-speed rail transportation programs. Based on historical spending patterns for rail transportation programs, CBO estimates that implementing this provision would cost \$300 million over the 2005-2009 period, and another \$500 million after 2009.

**Hazmat Safety Program.** H.R. 3550 would authorize the appropriation of about \$113 million for hazmat (hazardous materials) safety programs over the 2004-2007 period; however, the 2004 transportation appropriations act provided more than the amount H.R. 3550 would authorize for the current year. On balance, H.R. 3550 would authorize the appropriation of \$88 million in additional budget authority over the 2004-2009 period. Based on historical spending patterns for those programs, CBO estimates implementing this provision would cost \$88 million through 2008.

**ITS Deployment.** H.R. 3550 would authorize the Secretary of Transportation to provide grants for the deployment of Intelligent Transportation Systems. (The bill also would provide \$100 million of contract authority in 2004 for a very similar program.) Assuming appropriation acts provide budget authority for the new program at the same level (\$100 million) beginning in 2005, CBO estimates that implementing this provision would cost \$370 million over the 2005-2009 period.

**Alaska Railroad.** H.R. 3550 would direct the Secretary of Transportation to make grants to the Alaska Railroad for capital improvement projects that would benefit its passenger operations. The bill would authorize the appropriation of such sums as may be necessary to make these grants. For this estimate, CBO assumes the Secretary would make grants to the Alaska Railroad to cover the cost of ongoing capital projects. Based on information from DOT, CBO estimates implementing this provision would cost \$138 million over the 2004-2009 period.

**New Deputy Assistant Secretary for Tribal Government Affairs.** H.R. 3550 would create a new position of Deputy Assistant Secretary for Tribal Government Affairs at DOT who would implement the department's policies and programs relating to Indian tribes and tribal organizations. CBO expects the department also would provide the new Deputy Assistant Secretary with office materials and adequate staff to fulfill the duties of the

position. Based on the annual cost of operating similar offices within DOT, CBO estimates that implementing this provision would cost \$3 million each year beginning in 2005, and a total of \$15 million over the 2005-2009 period.

**Work Zone Clearinghouse.** H.R. 3550 would require the Secretary to make grants of \$1 million each year over the 2005-2009 period to the National Work Zone Safety Information Clearinghouse. This organization disseminates information concerning the safe and effective practices at highway work zones. CBO estimates implementing this provision would cost \$5 million over the 2005-2009 period.

**Studies and Regulations.** H.R. 3550 would require the government to complete several studies and regulations on a variety of transportation issues. The legislation would authorize federal agencies to conduct studies that would:

- Recommend ways to reduce collisions between motor vehicles and wildlife,
- Develop data standards to help states share real-time travel conditions,
- Report activities under a new pilot program designed to encourage states to use warranties in highway construction projects,
- Coordinate with the National Academy of Science (NAS) on a study of private investment in surface transportation infrastructure,
- Evaluate the use of cooperative procurement in mass transit programs,
- Determine the impact of consumer protection policies on shippers and carriers of household goods,
- Recommend improvements to a new research program authorized by the bill,
- Establish a planning process for the Lake Tahoe region in California and Nevada, and
- Develop methods for estimating the amount of undeclared shipments of hazardous materials entering the United States.

The legislation also would require DOT to issue new regulations that would:

- Exclude Intelligent Transportation Systems from certain requirements under the National Environmental Policy Act,
- Establish criteria to certify low-emission or energy-efficient vehicles,
- Decrease worker injury rates and improve traffic flow,
- Require states to repair highways using features recommended by the Transportation Research Board,
- Implement a new pilot program encouraging states to use warranties in highway construction projects,
- Determine whether full-service restaurants should be given priority for space on certain highway signs, and
- Establish criteria for determining conformity with the implementation plans developed under the Clean Air Act.



Assuming appropriation of amounts necessary to complete the studies and regulations, CBO estimates that implementing those provisions of the act would cost \$13 million over the 2005-2009 period, based on the cost of similar work and information from DOT.

## Direct Spending

H.R. 3550 would affect direct spending by providing new contract authority for surface transportation programs—outlays for most of those programs are controlled by annual appropriation action (as noted above)—and by providing some new spending authority that is not subject to appropriation action. CBO estimates that enacting H.R. 3550 would increase outlays from direct spending by \$1.2 billion over the 2004-2014 period. Table 3 details the effects on levels of transportation contract authority, and Table 4 shows the effects of all direct spending under the act.

**TABLE 3. ESTIMATED EFFECTS ON CONTRACT AUTHORITY UNDER H.R. 3550**

	By Fiscal Year, Budget Authority in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Baseline Funding for Surface Transportation and Hazmat Safety Programs	42,443	42,443	42,443	42,443	42,443	42,443	42,443	42,443	42,443	42,443	42,443
<b>Proposed Changes:</b>											
Federal-Aid Highway Program	-848	1,476	2,076	2,875	3,875	4,575	4,575	4,575	4,575	4,575	4,575
Emergency Relief Program	20	20	20	20	20	20	20	20	20	20	20
Highway Traffic and Motor Carrier Safety Programs	3	368	389	413	438	465	465	465	465	465	465
Transit Programs	<u>-623</u>	<u>-240</u>	<u>159</u>	<u>595</u>	<u>1,077</u>	<u>1,576</u>	<u>1,576</u>	<u>1,576</u>	<u>1,576</u>	<u>1,576</u>	<u>1,576</u>
<b>Total Changes:</b>	-1,448	1,624	2,644	3,903	5,410	6,636	6,636	6,636	6,636	6,636	6,636
Funding for Surface Transportation and Hazmat Safety Programs Under H.R. 3550	40,995	44,067	45,087	46,346	47,853	49,079	49,079	49,079	49,079	49,079	49,079

**TABLE 4. ESTIMATED EFFECTS ON DIRECT SPENDING UNDER H.R. 3550**

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
CHANGES IN DIRECT SPENDING											
Surface Transportation Programs											
Estimated Budget Authority	-1,448	1,624	2,644	3,903	5,410	6,636	6,636	6,636	6,636	6,636	6,636
Estimated Outlays	5	14	17	18	19	20	20	20	20	20	20
Hazmat Programs											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-25	-15	0	2	7	12	11	5	3	0
Payments in Lieu of Tax Credits											
Estimated Budget Authority	0	105	114	116	117	119	121	38	0	0	0
Estimated Outlays	0	105	114	116	117	119	121	38	0	0	0
Expiration of Tax Treatment for Ethanol											
Estimated Budget Authority	0	0	0	0	0	0	0	19	35	54	66
Estimated Outlays	0	0	0	0	0	0	0	19	35	54	66
Amendments to TEA-21 Projects											
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	5	8	3	2	2	0	0	0	0	0
Spending of Monetary Judgments											
Estimated Budget Authority	0	4	4	4	4	4	4	4	4	4	4
Estimated Outlays	0	4	4	4	4	4	4	4	4	4	4
Loan Forgiveness											
Estimated Budget Authority	8	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	8	0	0	0	0	0	0	0	0	0	0
Crime Victims Fund											
Estimated Budget Authority	1	1	1	1	1	1	1	1	1	1	1
Estimated Outlays	1	1	1	1	1	1	1	1	1	1	1
Total Changes:											
Estimated Budget Authority	-1,439	1,734	2,763	4,024	5,532	6,760	6,762	6,698	6,673	6,695	6,707
Estimated Outlays	14	104	129	142	145	153	158	93	62	82	91

**Federal-Aid Highway Program.** CBO estimates that H.R. 3550 would provide \$225.5 billion in contract authority, a form of mandatory budget authority, for the Federal-Aid Highway program over the 2004-2009 period. By comparison, the previous highway authorization act, known as TEA-21 (the Transportation Equity Act for the 21st Century), provided about \$178 billion in contract authority for the Federal-Aid Highway program over the 1998-2003 period (excluding \$9.2 billion that was added under the RABA provisions of TEA-21).

The level of contract authority in H.R. 3550 includes \$179.5 billion of contract authority specified in the act as well as an estimated \$46 billion of contract authority from the Minimum Guarantee program specified in the act. The Minimum Guarantee program would provide additional contract authority to ensure each state receives a share of the total level of contract authority provided to all states for certain programs that is at least 90.5 percent of that state's share of tax receipts to the Highway Trust Fund. (The Minimum Guarantee program would provide additional contract authority; however, it would not affect the obligation limitations specified in the act.)

The Balanced Budget and Emergency Deficit Control Act specifies that an expiring mandatory program with current-year outlays in excess of \$50 million be assumed to continue at the program level in place when it is scheduled to expire. Following that rule, under H.R. 3550, CBO projects \$4.6 billion in additional contract authority for the highway program each year beginning in 2010 (just as the current-law baseline projects about \$42 billion a year for surface transportation programs—see Table 3). CBO assumes that most spending from the highway program would continue to be controlled by annual limitations on obligations in appropriation acts and that the outlays would therefore be discretionary.

CBO's current baseline projects an annual level of contract authority for the Federal-Aid Highway program of \$35.2 billion and a total level of contract authority for those programs of \$387.7 billion over the 2004-2014 period. Thus, for the highway program, H.R. 3550 would provide \$36.9 billion in contract authority above the baseline level over the 2004-2014 period.

H.R. 3550 includes provisions known as Revenue-Aligned Budget Authority, or RABA, that would make annual adjustments to the obligation limitations and the level of contract authority specified in the act, based on receipts to the highway account of the Highway Trust Fund. H.R. 3550 includes estimates of receipts to the highway account, and each adjustment under the act's RABA provisions would be determined by comparing the estimates in the legislation to the Administration's most recent estimates when the adjustment occurs. If the act's estimates of revenues are lower than the current estimates, there would be an automatic

increase in the level of contract authority provided by the act. If however, the act's estimates of revenues are greater than the current estimates, then there would be an automatic decrease to the level of contract authority provided by the act.

Based on current CBO and JCT estimates of receipts to the highway account under H.R. 3550, CBO estimates that the RABA provisions of H.R. 3550 would not affect the level of contract authority provided under the act. Because there is significant uncertainty about the future levels of highway tax receipts, annual RABA adjustments are likely—at least in some years.

**Emergency Relief Program.** Under current law, FHWA receives \$100 million in contract authority each year to provide grants for repairs to roads damaged by disasters. Because contract authority for this program is not subject to the annual obligation limitations for the Federal-Aid Highway program, the outlays are considered mandatory. H.R. 3550 would increase the annual amount of contract authority for the Emergency Relief program to \$120 million. CBO estimates increasing the contract authority for this program would increase direct spending by \$194 million over the 2004-2014 period.

**Highway Traffic and Motor Carrier Programs.** CBO estimates that H.R. 3550 would provide about \$6 billion in contract authority for certain highway traffic and motor carrier safety programs over the 2004-2009 period, and CBO projects another \$1.1 billion in contract authority for those safety programs each year beginning in 2010. CBO assumes, however, that spending from the safety programs would continue to be controlled by annual limitations on obligations in appropriation acts and would therefore be discretionary.

CBO's current baseline projects an annual level of contract authority for all highway traffic and motor carrier safety programs of \$662 million and a total level of contract authority for those programs of \$7.3 billion over the 2004-2014 period. Thus, for those safety programs, H.R. 3550 would provide \$4.4 billion in contract authority above the baseline level over the 2004-2014 period.

**Transit Programs.** H.R. 3550 would provide \$41.2 billion in contract authority for transit programs over the 2004-2009 period, and (following the baseline projection rule in law) CBO projects another \$8 billion in contract authority for those programs each year beginning in 2010. (By comparison, TEA-21 provided about \$27.3 billion in contract authority for transit programs over the 1998-2003 period.) CBO assumes that spending from the transit programs would continue to be controlled by annual limitations on obligations in appropriation acts and that the outlays would therefore be discretionary.

CBO's current baseline projects an annual level of contract authority for transit programs of \$6.4 billion and a total level of contract authority for those programs of \$70.8 billion over the 2004-2014 period. Thus, for transit programs, H.R. 3550 would provide \$10.4 billion in contract authority above the baseline level over the 2004-2014 period.

**Hazmat Safety Programs.** Under current law, DOT collects fees from shippers and carriers of hazardous materials. The department also provides grants to emergency responders for training and planning activities related to the transportation of hazardous materials. CBO estimates that DOT will collect and spend about \$14 million each year over the 2004-2014 period for this activity. H.R. 3550 would increase that amount to \$28 million each year; however, because the department is likely to collect the increase in fees at a different rate than it will spend the increase, CBO estimates those changes would decrease direct spending by \$40 million over the 2005-2006 period and then increase direct spending by the same amount over the 2007-2013 period. In total, CBO estimates that the net impact of changes to the fees and grants would not be significant over the next 10 years.

**Payments in Lieu of Tax Credits.** Certain producers of alcohol fuel mixtures would be unable to use the tax credits that H.R. 3550 would establish. In lieu of the tax credits, H.R. 3550 would provide payments to those producers and users. Those payments would expire after December 31, 2010. CBO estimates that providing payments instead of tax credits would increase direct spending by \$730 million over the 2004-2014 period; however, because it also would increase revenue collections by the same amount, this provision would have no net impact on the federal budget.

**Expiration of Special Tax Treatment for Ethanol.** Under current law, most revenues from motor fuel taxes are deposited in the Highway Trust Fund. The Balanced Budget and Emergency Deficit Control Act requires CBO to assume that the federal government will continue to collect tax receipts that are earmarked for a trust fund even if those taxes are scheduled to expire. In addition, the tax on gasohol is currently lower than the tax on gasoline. H.R. 3550 would replace this lower tax rate with a tax credit paid from the general fund of the Treasury. The tax credit would expire after December 31, 2010. Under H.R. 3550, CBO's baseline would not assume extension of the excise tax credit after 2010.

Expiration of the excise tax credit for alcohol fuels in the act would result in increased spending on federal farm income payments after 2010. Because the ethanol in gasohol is primarily derived from corn, the demand for corn will fall if demand for ethanol is diminished. CBO expects that the higher after-tax price of alcohol fuels resulting from expiration of the tax credit in 2010 would reduce ethanol demand and corn prices. As a result, CBO estimates that spending for federal farm price and income support payments to farmers would rise by \$171 million over the 2011-2014 period.

**Amendments to TEA-21 Projects.** H.R. 3550 would amend the description of nine projects authorized by the Transportation Equity Act for the 21st Century. Most of the amendments would switch the authorization to a new project. Based on information from local transportation agencies, CBO does not expect work to continue on the projects as authorized under current law; however, CBO expects that the projects that would be authorized under H.R. 3550 would be completed.

TEA-21 provided almost \$32 million in contract authority for those projects, and appropriation acts enacted over the life of TEA-21 set obligation limitations on this contract authority. Some of this money has already been spent, but because the legislation would allow states and local agencies to spend money that they cannot use under current law, H.R. 3550 would increase direct spending. CBO estimates that amending the authorization of those projects would increase direct spending by \$20 million over the 2004-2014 period.

**Spending of Monetary Judgments.** H.R. 3550 would provide DOT the authority to share monetary judgments pertaining to fraud in the federal highway and transit programs with state and local agencies. That provision would apply to judgments in criminal prosecutions as well as civil judgments. Under current law, monetary judgments that result from criminal prosecutions are deposited in the Crime Victims Fund and later spent. Civil judgments, however, are not spent under current law. The federal government received an average of \$18 million each year in monetary judgments from civil cases in recent years. Because the federal government pays most costs associated with fraud investigations and generally requires states to provide only 20 percent of the total cost for most surface transportation projects, we expect that DOT would share 20 percent of such judgments with the states. Hence, CBO estimates that this provision would increase direct spending by \$4 million each year beginning in 2005 and by \$40 million over the 2005-2014 period.

**Loan Forgiveness.** H.R. 3550 would authorize DOT to forgive a federal loan to the California Department of Transportation (Caltrans) for the acquisition of rights-of-way for the North Coast Railroad. The outstanding debt equals \$12 million, and based on information from DOT, CBO expects Caltrans will repay the full amount in 2013. Under the Federal Credit Reform Act, the cost of modifications to outstanding loans are recorded on the budget in the fiscal year the bill is enacted on a net-present-value basis. CBO estimates that forgiving the loan to Caltrans would cost \$8 million in 2004.

**Crime Victims Fund.** H.R. 3550 would raise the maximum level of criminal penalties for violations of certain regulations concerning motor carriers, movers of household goods, and the transportation of hazardous materials. The act also would establish several new criminal penalties related to transportation safety violations. Criminal penalties are recorded in the budget as revenues, then deposited in the Crime Victims Fund, and later spent. CBO estimates those provisions would increase direct spending by \$11 million over the 2004-2014 period; however, because an increase in criminal penalties also would increase revenue collections, the net impact of those provisions on the federal budget would be negligible.

## Revenues

CBO and JCT estimate that H.R. 3550 would increase revenues by \$5.9 billion over the 2004-2014 period, as shown in Table 5.

**Alcohol Fuels.** JCT estimates that provisions in H.R. 3550 related to alcohol fuels and biodiesel would increase receipts by \$6.8 billion over the 2004-2014 period.

Current law provides lower tax rates for alcohol-blended fuels than for gasoline. H.R. 3550 would repeal the reduced tax rates and replace them with a tax credit worth the same amount. This provision would help improve tax compliance, and JCT estimates that it would increase revenues by \$220 million over the 2004-2014 period.

The Balanced Budget and Emergency Deficit Control Act requires CBO to treat excise taxes dedicated to trust funds as permanent even if they expire during the baseline period. For this reason, CBO's current baseline assumes an extension of the reduced rates of taxation on gasoline blended with alcohol fuels beyond its expiration because it reduces amounts credited to the Highway Trust Fund. The excise tax credit for alcohol fuels that H.R. 3550 would provide, however, would not reduce amounts credited to the trust fund; therefore, JCT and CBO do not assume that the credit would be extended. In comparison to CBO's current baseline, JCT estimates that those provisions would increase governmental receipts by \$5.89 billion between 2011 and 2014 when the new tax credit would expire.

Certain producers of alcohol fuel mixtures would have insufficient excise tax liability to use the tax credits that H.R. 3550 would establish. In lieu of the tax credits, H.R. 3550 would provide payments to those producers. Those payments for ethanol would expire after December 31, 2010. JCT estimates that providing payments instead of tax credits would increase revenues by \$730 million over the 2004-2014 period; however, because it would increase direct spending by the same amount, this provision would have no net impact on the federal budget.

**Fuel Tax Evasion.** H.R. 3550 contains numerous provisions that would help prevent fuel tax fraud, including a provision that would require aviation fuel taxes to apply at the terminal rack—the mechanism that transfers fuel from a pipeline or vessel to a truck or a train, rather than at the point where a producer or importer sells the fuel. In total, JCT estimates that the provisions in H.R. 3550 to reduce fuel tax fraud would increase revenues by \$8.3 billion over the 2004-2014 period.

**TABLE 5. ESTIMATED CHANGES IN REVENUES UNDER H.R. 3550**

	By Fiscal Year, in Millions of Dollars										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>CHANGES IN REVENUES</b>											
Alcohol Fuels <sup>a</sup>	0	127	137	139	140	141	143	1,191	1,580	1,607	1,635
Fuel Tax Evasion <sup>a</sup>	108	736	820	826	829	832	830	828	825	822	822
Other Changes to the Tax Code <sup>a</sup>	0	*	-4,327	-7,362	-1,148	3,037	1,629	769	31	-670	-1,037
SIBS and TIFIA Programs <sup>a</sup>	-1	-3	-6	-9	-12	-15	-18	-18	-18	-18	-18
Civil and Criminal Penalties	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Changes	108	861	-3,375	-6,405	-190	3,996	2,585	2,771	2,419	1,742	1,403

NOTES: \* = less than \$500,000.

SIBS = State Infrastructure Banks; TIFIA = Transportation Infrastructure Finance and Innovation Act.

a. Estimate provided by the Joint Committee on Taxation.

**Other Changes to the Tax Code.** In addition to provisions related to alcohol fuels and fuel tax fraud evasion, H.R. 3550 includes several other changes to the tax code. JCT estimates that those provisions would lower revenues by \$9.1 billion over the 2004-2014 period. Most of the decrease (\$8 billion) would come from changes to the alternative minimum tax. The remaining overall decrease in revenues would result from a two-year extension of increased expensing for small businesses. That provision would accelerate deductions that would otherwise be taken later, thus reducing revenues from 2005 through 2008 and increasing them from 2009 through 2014.

**State Infrastructure Banks (SIBS) and Transportation Infrastructure Finance and Renovation Act (TIFIA) Programs.** H.R. 3550 would expand the SIBS and TIFIA programs, and JCT estimates that those provisions would lower revenues by \$136 million over the 2004-2014 period. Under current law, five states can use grants from the Federal-Aid Highway program to fund a state infrastructure bank. States use infrastructure banks to finance transportation projects by providing loans to local governments or repaying bonds. H.R. 3550 would extend that authority to all states. JCT estimates that this provision would increase the use of tax-exempt bonds and therefore decrease federal revenues.



For a project to receive credit assistance under the TIFIA program, current law requires the project's total cost to equal or exceed the lower of the following two amounts: \$100 million or 50 percent of the state's grants from certain highway programs in the previous fiscal year. States can cover a portion of the remaining cost with tax-exempt bonds. H.R. 3550 would change the first threshold to \$50 million. JCT estimates that enacting H.R. 3550 would increase the number of projects that receive credit assistance under TIFIA and, therefore, increase the use of tax-exempt bonds, reducing revenue collections.

**Civil and Criminal Penalties.** The act would raise the maximum civil and criminal penalty amounts imposed on individuals for violations of certain regulations relating to motor carriers, movers of household goods, and transportation of hazardous materials. In addition, the act would establish several new civil and criminal penalties for various other transportation safety violations. In total, CBO estimates that doing so would increase governmental receipts by about \$11 million over the 2004-2014 period. Half of those amounts would result from civil penalties, and half would result from criminal penalties. Collections of civil penalties are recorded in the budget as revenues. Criminal penalties are recorded as revenues, then deposited in the Crime Victims Fund, and later spent; thus the net impact of the criminal penalties on the budget would be negligible.

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

CBO has reviewed all of the nontax provisions of H.R. 3550 for intergovernmental mandates as defined in UMRA. Section 4131 would preempt certain state laws restricting the use of utility service vehicles. Such a preemption is a mandate, but we estimate that it would impose no costs on state, local, or tribal governments and would not exceed the threshold established by that act (\$60 million in 2004, adjusted annually for inflation).

H.R. 3550 also would eliminate an existing mandate. Section 4117 would repeal the single state registration system, which limits how states may regulate interstate motor carriers. At this time, CBO is not able to estimate the impact of the change on the administrative burden or revenue of state transportation agencies because it is not clear how states would respond to the provision.

As a whole, state and local governments would benefit from the financial assistance included in the bill and would comply with any related requirements as a condition of receiving federal aid.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

H.R. 3550 contains private-sector mandates as defined in UMRA. CBO expects that the total cost of private-sector mandates in the bill would exceed the annual threshold established in UMRA (\$120 million in 2004, adjusted annually for inflation). That conclusion is based upon our analysis of the mandate that would extend certain federal motor carrier safety regulations to additional commercial motor carriers. The safety requirements would apply to owners and operators of motor vehicles used to transport between nine and 15 passengers in interstate commerce, regardless of the distance traveled.

## **PREVIOUS CBO ESTIMATES**

On April 8, 2004, CBO transmitted a cost estimate for S. 1072, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2004, as passed by the Senate on February 12, 2004. On April 28, 2004, CBO transmitted a corrected cost estimate for S. 1072, which included about \$2.3 billion of contract authority over the 2004-2014 period that was omitted from our earlier estimate. That correction, however, did not change the estimated outlay cost of the legislation. Among the many differences between the acts passed by the House and Senate, S. 1072 would provide different funding levels for the surface transportation programs than H.R. 3550 would provide. The cost estimates reflect this difference. The estimated funding levels for major components of each piece of legislation is shown in Table 6.

On March 30, 2004, CBO transmitted a preliminary cost estimate for H.R. 3550, the Transportation Equity Act: A Legacy for Users, as reported by the House Committee on Transportation and Infrastructure on March 29, 2004. The preliminary cost estimate only included estimates of the major provisions of the bill. The estimate also did not include estimates for amendments that were made to the bill when it was considered by the House of Representatives.

On January 22, 2004, CBO transmitted a cost estimate for S. 1072, the Safe, Accountable, Flexible, and Efficient Transportation Equity Act of 2003, as reported by the Senate Committee on Environmental and Public Works on January 14, 2003. That version of S. 1072 would extend the Federal-Aid Highway program, and the cost estimate included the cost of those provisions; but the legislation ultimately passed by the Senate included many additional provisions affecting spending and revenues.

**TABLE 6. COMPARISON OF MAJOR PROVISIONS<sup>a</sup> OF H.R. 3550 AS PASSED BY THE HOUSE AND S. 1072 AS PASSED BY THE SENATE**

	Totals for the 2004-2009 Period, in Billions of Dollars	
	H.R. 3550	S. 1072
Total Contract Authority <sup>b</sup> Provided	272.8	309.1 <sup>c</sup>
Amount of Contract Authority Exempt from Any Obligation Limitations	4.6	4.4
Total Obligation Limitations Assumed	264.6	286.9
Discretionary Budget Authority Authorized for Transit Programs	10.4	9.8
Estimated Discretionary Spending (Outlays from Obligation Limitations and Discretionary Authorizations)	163.0	177.0
Estimated Changes in Revenues	5.9	45.5

- a. This table includes information about the Federal-Aid Highway program, highway traffic and motor carrier safety programs, and transit programs.
- b. These figures do not include estimates of Revenue-Aligned Budget Authority.
- c. This amount has been corrected since CBO transmitted its cost estimate for S. 1072 on April 8, 2004.

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